

Coffee Updates

World coffee production in 2004/05 is forecast at 117.7 million bags (60 kilograms or 132.276 pounds), up 10 percent, or 10.8 million bags from the previous year. Most of the increase is attributed to the recovery in Brazil's 2004/05 coffee production level. Brazil's production of coffee during 2004/05 is forecast at 42.4 million bags, up from 32.0 million bags in 2003/04.

Other significant changes in production include: India, up 501,000 bags; Burundi, up 473,000 bags; Colombia, up 300,000 bags; Nicaragua, up 120,000 bags; Peru, up 110,000 bags; Ethiopia, down 333,000 bags; Indonesia, down 250,000 bags; Vietnam, down 166,000 bags; Democratic Republic of the Congo, down 138,000 bags; and Guatemala, down 131,000 bags.

As Brazil's coffee production is forecast to account for 36 percent of the world total in 2004/05, swings in Brazil's supplies of coffee account for the change in the world total supplies of coffee. Total coffee supplies in 2004/05 are forecast at 142.6 million bags, up 4 percent from the previous year. As a result of the higher supplies, total coffee exports in 2004/05 are forecast at 90.1 million bags, up 4.5 million bags from 2003/04.

Brazil

Brazil's coffee production for marketing year (MY) 2004/05 (July-June) is forecast at 42.4 million bags, up 10.4 million bags compared to MY 2003/04. The projected increase in production is solely associated with the Arabica variety, which is expected to yield 33.1 million bags or a jump of 10.5 million bags relative to the unchanged estimate for MY 2003/04 (22.6 million bags). There is a slight reduction forecast in 2004/05 for Robusta production.

The majority of Arabica trees for 2004/05 are in the "on-year" of the biennial production cycle, which will result in higher yields compared to the previous season. Coffee trees have recovered from the effects of lower precipitation and higher-than-average temperatures experienced during the July-October 2003 period in the states of Minas Gerais, Sao Paulo, and Bahia. The adverse weather conditions promoted higher than average flower abortion and fruit drop, thus diminishing the initial potential for the fruit setting. However, good weather conditions since November 2003 have supported a steady development of the trees and fruits. Overall, coffee trees show good vegetative development.

In spite of the good weather conditions during the blossoming period in the state of Parana, which resulted in good fruit setting, the dry weather that prevailed in the initial months of 2004 in some coffee areas of the state (northwest and part of the north) should affect production resulting in smaller and lighter beans and causing quality problems for the product. As a consequence of the dry weather, fruits were ready for ripening earlier than usual, and the harvest for Parana started in April.

Robusta production in MY 2004/05 in Espirito Santo has been affected by low precipitation from April to November 2003, which damaged flowering and fruit setting. However, steady rainfall as of December 2003 has ameliorated fruit development to some extent. Blossoming and fruit

setting in Rondonia is also reported to be partially damaged by drier-than-usual weather. As a consequence, total Robusta production for MY 2004/05 is projected down 100,000 bags from the previous season. The harvest season started in mid-April both in Rondonia and in the Robusta areas of Espirito Santo.

Brazil's Coffee Production						
State/Variety	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05
	(Million 60-kilogram bags)					
Minas Gerais	15.40	16.00	16.20	25.35	13.70	21.00
Southwest 1/	8.40	9.00	8.50	14.20	7.00	11.30
Central-western 1/	3.50	3.00	3.20	4.65	3.00	4.10
Southeast 1/	3.50	4.00	4.50	6.50	3.70	5.60
Espirito Santo	4.70	7.40	9.70	11.35	7.70	8.00
Arabica	2.00	2.60	2.20	2.85	1.70	2.50
Robusta	2.70	4.80	7.50	8.50	6.00	5.50
Sao Paulo 1/	3.70	3.60	3.20	5.75	3.00	4.90
Parana 1/	2.80	2.20	0.50	2.50	2.20	2.60
Others	4.20	4.90	5.50	6.65	5.40	5.90
Arabica	1.90	2.20	2.30	3.15	2.00	2.10
Robusta	2.30	2.70	3.20	3.50	3.40	3.80
Total	30.80	34.10	35.10	51.60	32.00	42.40
Arabica	25.80	26.60	24.40	39.60	22.60	33.10
Robusta	5.00	7.50	10.70	12.00	9.40	9.30

1/ Arabica.

Brazil's domestic coffee consumption in MY 2004/05 is forecast at 14.6 million bags, green equivalent, up 600,000 bags from the previous season. Roasted and ground coffee consumption should account for 13.9 million bags, while soluble coffee consumption is projected stable at 700,000 bags. This forecast takes into account the population growth rate and domestic campaigns to promote coffee consumption in Brazil.

Brazil's total coffee exports for MY 2004/05 are projected at 26.9 million bags, green bean equivalent, up 13 percent from MY 2003/04, due to the expected higher availability of coffee supplies and strong competitiveness of Brazil's coffee. The steady devaluation of Brazil's currency, the real, vis-à-vis the U.S. dollar, and relatively low domestic coffee prices are important factors supporting coffee exports.

Brazil's government and coffee industry officials have raised the volume limit at the official coffee auctions to 80,000 bags. The remaining auctions for the year are scheduled as follows: June 16, July 14, August 11, September 15, October 14, November 17, and December 15.

Brazil: Auctions of Government-Owned Coffee Stocks

Date of Auction	Quantity Offered	Quantity Sold	Price Range
	60-kilogram bags		Brazil reais/bag
2004			
February 4	40,000	40,000	153.50-160.60
March 3	60,000	59,826	135.70-143.50
April 1	80,000	77,655	138.20-144.00
May 5	80,000	67,383	133.00-158.80
May 18*	200,000	155,973	201.75-207.60
May 26	200,000	197,659	209.88-214.08
June 2	80,000	77,890	133.00-136.00
June 2	200,000	200,000	241.20

*First auction from the 980,000 bags Brazil's government bought last year from producers via options contracts.

Colombia

Production is expected to return to a more normal production level of 11.6 million bags in 2004/2005. Production for 2004/05 will increase from the previous year since the weather during the first months of 2004 returned to a more normal pattern. Over the longer run, production under normal weather conditions is expected to be between 11.0 and 12.0 million bags. Marginal production areas are leaving coffee production and the more traditional coffee-producing areas are expected to intensify production under the tree renewal program. The total area planted is expected to continue to fall mainly in marginal production areas that have old plants of low quality and production. These marginal areas for coffee production are located mainly in the lower altitudes of the coffee farms.

The coffee renovation program ended in 2003 after covering 340,000 hectares (approximately half the current harvested area). The program received 5 years of continuous support from the Coffee Growers Federation (FEDECAFE). FEDECAFE started supporting renovation plans through distributing fertilizers to growers in such a way to assure improving quality. The coffee renovation program was only conducted and supported for the main coffee areas (located between 1,500 meters and 1,800 meters). Growers in these areas increased the density planted, which is currently calculated at 5,700 trees per hectare, up from 4,800 trees per hectare previously. Coffee plantations now have an average age of 5.5 years, down from the 7.5 years before the renovation program.

Colombia's coffee is mainly produced for the export market. Green coffee beans made up 84 percent of coffee exports, while the remaining exports were roasted and soluble coffee. Total coffee exports in 2004/05 are forecast at 10.4 million bags, up only about 50,000 bags from the preliminary 2003/04 level.

Local coffee consumption is considered low when compared with other producing countries. A strong campaign to promote coffee consumption was conducted last year along with a 10-percent price discount for soluble branded coffee. The National Growers Federation opened new “Juan Valdez” branded stores in 2003 to take advantage of the brand name. The purpose of these stores is mainly to give consumers the opportunity of tasting 100-percent Colombian coffee, as a part of marketing higher-quality Colombian coffee.

Vietnam

Vietnam’s 2004/05 coffee production is forecast at 12.0 million bags, slightly lower than the 2003/04 crop due to a small decrease in area as some farmers look for more profitable crops. Most of the area reduction will occur in the Tay Nguyen/Central Highland provinces where some aged and low productivity coffee trees will be chopped down to grow other crops including cashews, corn, beans, and cocoa. The 2004/05 crop yield is expected to remain roughly the same as the 2003/04 level as coffee growers are not overly encouraged by current prices (although much better than several years ago), and the government warns farmers not to increase use of chemicals that might harm the environment in the long run.

Vietnam’s exports of coffee during 2004/05 are forecast at 11.5 million bags, down from the preliminary 2003/04 level of 11.7 million bags. Total supplies in Vietnam have been decreasing as the coffee crop has declined from the 2000/01 level of 15.3 million bags. Vietnam is looking to promote coffee to nontraditional and domestic markets. Reportedly, Vietnam's Coffee and Cocoa Association (Vicofa) has signed a cooperative agreement for annual coffee exports of around 170,000 bags of coffee to China. Vietnam hopes the populous neighboring country will become a potential market for Vietnam coffee.

Vietnam also sees an importance in promoting coffee in the domestic market of more than 80 million people. Vietnam coffee officials will work on promotion programs to increase coffee consumption in the domestic market to 1.0 million bags from the current level of 550,000 bags.

United States

U.S. Government Taking Steps To Rejoin the ICO

A high-level delegation from the United States attended the International Coffee Organization (ICO) meetings on May 18-21, 2004. The delegation attended the meetings as observers, but reportedly laid the groundwork for the United States to rejoin the ICO. In an ICO Council statement, it was acknowledged that the U.S. delegation participated in discussions with members of the ICO and made a statement to the Council that after the meetings there was now a “firm basis for the USA to consider the decision to accede to the 2001 Agreement in a positive light. It is hoped that the necessary formalities will be completed by 1 October 2004.” During the May meetings, the ICO amended Resolution 407, which the United States had objected to in the past. Resolution 407 attempted to improve the quality of members’ coffee production by setting recommendations that members were required to implement. The adoption of Resolution 420 makes these recommendations voluntary.

U.S. coffee stocks at the end of April 2004 totaled 5.85 million bags, down 109,665 bags from the March 31, 2004, level. Details follow in 60-kilogram bags.

U.S. Coffee Stocks

Location	March 31	April 30	Difference
-----60-kilogram bags-----			
New York	2,050,746	2,054,099	3,353
New Orleans	1,642,908	1,653,175	10,267
Jacksonville	208,350	160,400	(47,950)
Miami	1,246,681	1,220,767	(25,914)
Houston	374,389	319,130	(55,259)
Laredo	112,654	108,634	(4,020)
Port Everglades	0	0	0
San Francisco	259,569	272,949	13,380
Los Angeles	1,820	2,570	750
Seattle	0	0	0
Norfolk	51,863	49,351	(2,512)
Philadelphia	6,135	4,375	(1,760)
Baltimore	0	0	0
Total	5,955,115	5,845,450	(109,665)